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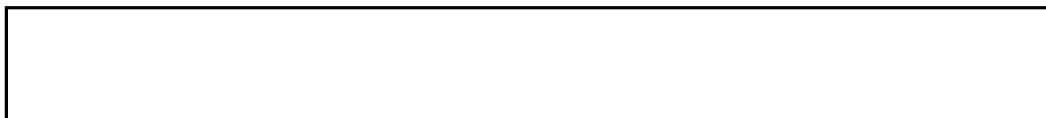
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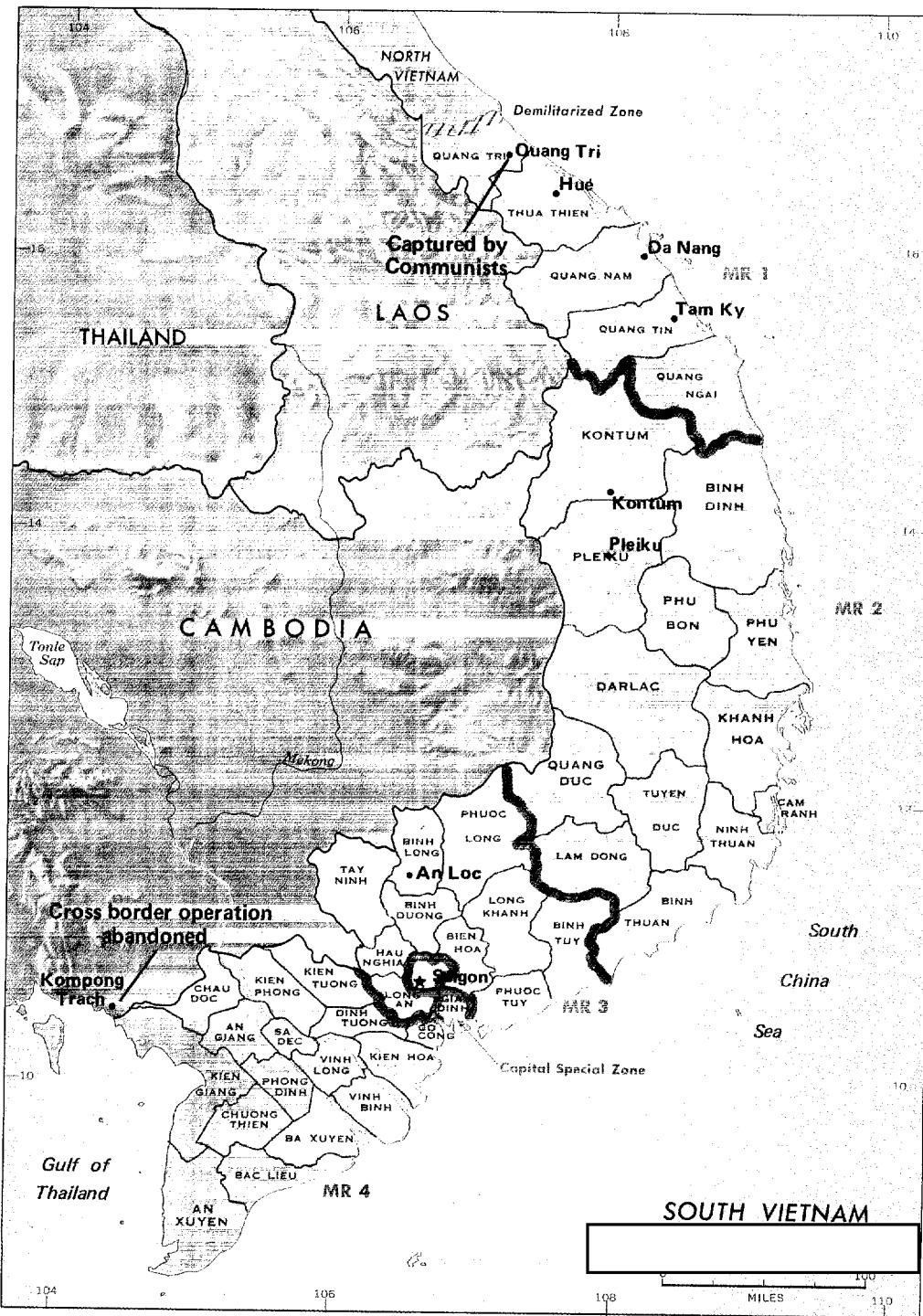
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C VIETNAM: The Communists are maintaining pressure on government forces in the northern provinces following the capture of their first provincial capital yesterday.

About 5,000 South Vietnamese are believed to have been in Quang Tri City when it fell. Some of them are attempting to withdraw southward, while others are said to be completely disorganized.

There is evidence that the North Vietnamese already are shifting some of their forces southward into the Hue area in an effort to follow up and exploit their successes at Quang Tri City as rapidly as possible. While they may wait to consolidate their position before mounting a major assault on Hue, the Communists already have produced a state of confusion and near panic in the city as refugees and fleeing South Vietnamese troops push into it from the north. The number of refugees in the city has risen to nearly 150,000 and is expected to reach 200,000, a situation that local officials say they cannot handle.

The Communists are also planning further military and political action in the populated regions along the coast south of Hue. This action, which is to include ground and rocket attacks on Da Nang and possibly a major campaign against the provincial capital of Quang Tin, reportedly is scheduled to begin within the next few days.

Government forces in Kontum City are trying to organize new defensive positions. South Vietnamese officials in the city fear that it cannot be held if the enemy strikes soon but believe that government units may be able to hold out if they have a few more days in which to organize and dig in. At Pleiku to the south, morale is bad, and there are widespread rumors that Military Region 2 commander General Dzu is exhausted and will be replaced.

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C Sporadic fighting and shelling attacks continue around An Loc and west of Saigon, but there has been no fundamental change in the situation in this area during the past few days. In southern Cambodia, heavy Communist pressure has forced the South Vietnamese to abandon their cross-border operations in the Kompong Trach area, opening still another enemy access route into South Vietnam.

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In North Vietnam, Hanoi's propagandists have begun to play on the theme that the US is now an impotent adversary that has run out of options in Vietnam. The line was featured in a commentary in the North Vietnamese military newspaper broadcast on 29 April, the day after Soviet leaders Katushev and Firyubin wound up their trip to Hanoi. According to the broadcast, the US bombing of Hanoi and Haiphong was a last-ditch ploy aimed primarily at "intimidating chicken-hearted people." Hanoi claimed the main result of the bombing would be to stir up anti-war sentiment in the US, thus further weakening the administration's hand in dealing with the Vietnam situation. The commentary ruled out the chance that the US might reintroduce ground forces into Vietnam, claiming such a move was politically impossible.

There is no evidence that the new propaganda line is directly related to the Soviet - North Vietnamese consultations of last week, but the theme could easily reflect the thrust of the North Vietnamese position privately conveyed to the Soviets. Hanoi may be arguing that there is little risk in a further prosecution of the Communist offensive, contending that the US can do little in the way of effective reaction and that there is thus little reason for political compromise at this point.

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CHINA: There are further signs of political troubles in Peking.

The Chinese failed to publish their customary stocktaking editorial or to issue any slogans for May Day, suggesting that the leadership could not even agree on a bland policy statement. A decision to cancel the traditional May Day fireworks display, allegedly as an economy measure, has obviated the need for a major leadership turnout. The handling of the festivities is similar to the treatment accorded National Day ceremonies last October, when Peking was attempting to mask the political disarray resulting from the Lin Piao purge.

In particular, the absence of a May Day editorial points to political trouble. If the regime were faced merely with the illness of an important leader, it would presumably have little difficulty concocting some sort of statement for the public.

There are important differences, however, between the scenario surrounding the upheaval last fall and the current situation. There have been no reports of top-level leadership meetings in Peking, and all of the active politburo figures have individually appeared on a regular basis in recent weeks--with the exception of Mao, who frequently remains out of public view for prolonged periods of time. Finally, Mao's picture appeared on the front pages of Chinese papers on 1 May, according to NCNA, and Chou En-lai and several other top leaders reportedly greeted passersby informally in Peking's parks yesterday. These reports are clearly designed to allay suspicion that anything untoward is occurring in the capital.

Thus major political difficulties of some kind have arisen in Peking, but so far it does not appear that an upheaval of the magnitude of the Lin affair is under way. [redacted]

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PANAMA: General Torrijos appears to be setting the stage for shifting to a softer line in canal treaty negotiations if he decides that pressing for better terms is unrealistic.

Torrijos still has a fear about committing himself to something he will live to regret, and his suspicions that the US is tricking him have caused frequent changes in his attitude. Now there are indications that Torrijos is toying with the notion of giving a nod to the best of the US offers to date and then drumming up enthusiasm for a plebiscite. He mentioned this idea last week in a long conversation with visitors from the US National War College and later released it, along with some of his other generally moderate statements to the group, to the controlled local press.

In addition, the press has carried the news that Panama's planning office is preparing projections of the benefits to accrue from properties that will be transferred to Panama through a new treaty. No publicity, however, has attended the return of the Panamanian negotiating team, whose members evidently are still forging their latest position.

Torrijos may believe that he can sell the concessions that the US has already offered as an important step forward, and that a plebiscite will enable him to read the public mood and adjust his position accordingly. If he senses that the treaty is being interpreted as a sellout, he can then lead an anti-US movement from a new position of strength.

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TURKEY: Prime Minister-designate Suat Hayri Urguplu probably will manage to put a government together by the end of the week.

According to Urguplu, the new government--the third since the military intervened about a year ago--will generally reflect party representation in Parliament. Unlike the two previous governments, few of the ministries will be headed by technocrats. Urguplu hopes that strong parliamentary representation will assist the passage of reform legislation, which has been backed by the military but, up to now, has been largely blocked by Turkish politicians.

The 68-year-old Urguplu has had a long but not particularly outstanding career in government. An able lawyer and energetic administrator, Urguplu has served in both houses of Parliament, as a cabinet minister, and as a diplomat. He also headed a caretaker government for eight months in 1965. Although a former member of the Republican People's Party, he has been a political independent in recent years. [redacted]

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NOTES

ISRAEL-JORDAN: The results of today's municipal elections in the southern portion of the Israeli-occupied West Bank are likely to be a replay of those in the north, where the voting extended the control of the traditional oligarchy. In contrast to the uncertainty that prevailed until the last minute of the northern elections last month, the populace in the southern portion appears relaxed and even enthusiastic about electing new municipal officials. Except in Hebron, where the incumbent mayor and his slate are running unopposed, electioneering has been lively, with some 199 candidates vying for 108 seats. A large turnout of voters is likely to anger further the fedayeen, whose demands for a boycott of the elections in the north were completely ignored.

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AUSTRALIA: International Telephone and Telegraph Corporation's proposed take-over of a major frozen food company is raising a controversy in Australia. ITT's \$10-million bid comes during an election year and at a time when the Senate is conducting an inquiry on the question of foreign control of Australian firms. Although Canberra does not prohibit foreign entry into most industries, it prefers that foreign investment be channeled into new productive facilities rather than into existing Australian-owned firms. The latest controversy may encourage some further tightening of controls on foreign investment, but Canberra is unlikely to alter its policies greatly because Australia remains dependent on foreign capital for its development.

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